

INVESTMENT EXECUTIVE SUMMARY

McCoy College of Business Foundation

Through June 30, 2022

	Market Value	Actual (%)	Target (%)	+ / -	Quarter	1 Yr.	3 Yr.*	5 Yr.*	7 Yr.*
Equity	36,663,889	62.4%	65%	-2.6%	-14.0	-17.3	6.5	6.9	7.1
Fixed Income	15,431,660	26.3%	25%	+1.3%	-4.3	-8.2	-0.2	1.1	1.8
Real Assets/Real Return	6,125,896	10.4%	10%	+0.4%	-10.1	-4.6	5.6	--	--
Cash	529,529	0.9%	0%	+0.9%	0.1	0.2	0.8	--	--
Total Fund w/o Student Investment	58,750,974	--	--	--	-11.0	-13.6	4.6	5.3	5.4
Student Investment Equity	1,053,673	80.8%	75%	+5.8%	-13.8	-10.8	8.1	7.8	6.9
Student Investment Fixed	250,771	19.2%	25%	-5.8%	-4.3	-8.4	-0.2	0.9	2.8
Total Investment Fund	60,055,418				-11.0	-13.5	4.7	5.3	5.4

All performance is net of (after) investment manager fees *annualized for periods longer than one year

Market Summary in Q2 2022:

- High inflation, an increasingly hawkish Federal Reserve and economic uncertainty have weighed on markets. Global equities reached bear market territory with the MSCI ACWI Index down 20% year-to-date through June. The simultaneous decline in bonds has made this year particularly painful for balanced portfolios. The Bloomberg Aggregate Bond Index was down 10% year-to-date through June, leaving a 60/40 portfolio down 16%.
- Market behavior this year appears to be a mostly rational response to the increase in longer-term interest rates, along with the rise in economic uncertainty from inflationary pressures, Ukraine-Russia conflict, Chinese lockdowns and policy tightening. Our base case view is that the monetary policy response priced by markets should curb inflation with only an economic slowdown or a mild recession. However, the risk of downside scenarios has increased. Should Fed tightening prove too much for the heavily-indebted US economy to bear, inflationary fears could give way to fears of a deeper recession. However, interest rates could decline in this scenario, providing some cushion to balanced portfolios. A more worrisome outcome is that inflationary pressures stay high even as economic growth slows, requiring the Fed to respond even more forcefully. We expect this would be negative for stocks and bonds.
- We do not yet view this correction as a good point to increase equity exposure and would maintain neutral exposure relative to benchmarks. Within equity portfolios, we continue to favor value over growth. High yield spreads widened during the second quarter, and we believe they justify a modest overweight to the asset class. We continue to suggest investors follow rebalancing policies.

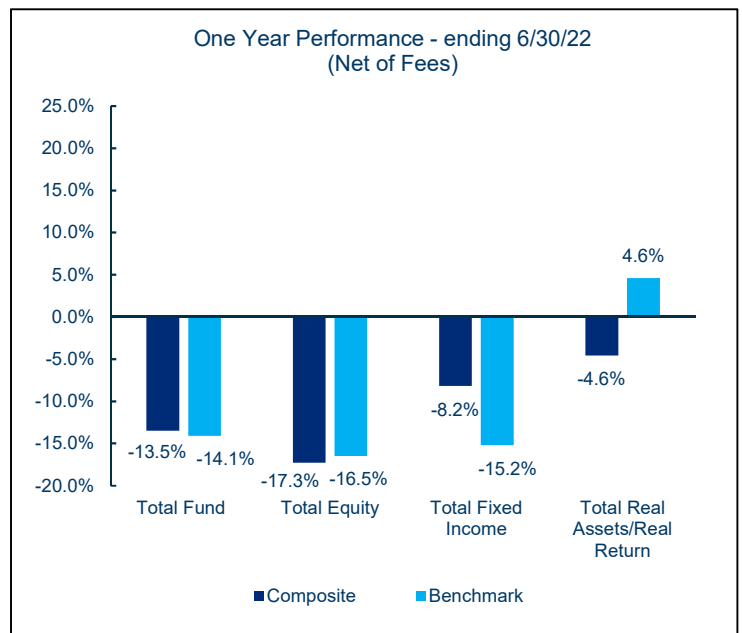
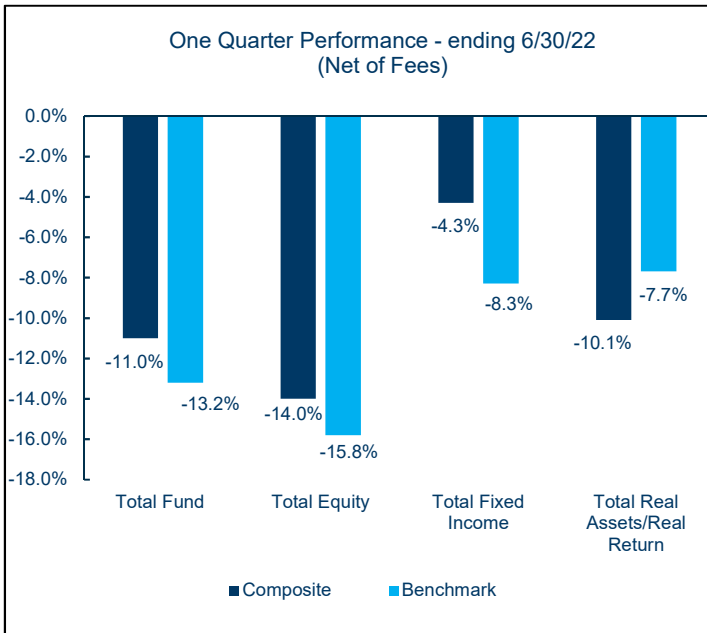
Portfolio Update:

- The Total Equity Composite (-14.0%) held up better than the Blended Equity Index during the quarter. US small cap manager, DFA, and emerging markets manager, RBC, were the largest contributors on a relative basis. Volatility remained high during the quarter as inflation pressures persisted leading to negative absolute returns.
- The Total Fixed Income Composite (-4.3%) outperformed its benchmark by +400 bps during the quarter, as the diversified approach to sectors like securitized assets and shorter duration position helped relative returns.
- The Total Real Assets/Real Return Composite (-10.1%) trailed its benchmark by -240 bps during the quarter. Principal DRA fell as commodity prices started to retract from highs earlier this year and PIMCO All Asset was hurt by risk asset exposures.

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Investment Philosophy & Process

Purpose:

The purpose of the Investment portfolio is to provide for the Foundation's operating needs and to fund the Foundation's mission-related programs and activities both today and into the future.

The Foundation's objective is to grow the market value of assets net of inflation, administrative, and investment expenses, over a full market cycle without undue exposure to risk.

The Fund possesses a long-term time horizon, with primary objective to provide long-term growth of capital and liquidity. Secondary objectives are to provide a mix of growth and income and preservation of capital.

The Foundation and Investment Committee are governed by the Investment Policy Statement, reviewed at least annually by the Committee and Board. The Investment Policy Statement is a comprehensive document which incorporates best practices and outlines investment objectives, investment guidelines, and risk policy, as well as outlining responsibilities of the Board, Investment Committee, Staff, Investment Managers, and Consultants.

Mercer serves as investment consultant for the McCoy College of Business Foundation. For more information please visit their website <https://www.mercer.com>